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Counsel for the Official Committee Of Equity Security
 Holders Of USA Capital First Trust Deed Fund, LLC

**UNITED STATES BANKRUPTCY COURT
 DISTRICT OF NEVADA**

In re:
 USA COMMERCIAL MORTGAGE COMPANY,
 Debtor.

BK-S-06-10725-LBR
 Chapter 11

In re:
 USA CAPITAL REALTY ADVISORS, LLC,
 Debtor.

BK-S-06-10726-LBR
 Chapter 11

In re:
 USA CAPITAL DIVERSIFIED TRUST DEED FUND, LLC,
 Debtor.

BK-S-06-10727-LBR
 Chapter 11

In re:
 USA CAPITAL FIRST TRUST DEED FUND, LLC,
 Debtor.

BK-S-06-10728-LBR
 Chapter 11

In re:
 USA SECURITIES, LLC,
 Debtor.

BK-S-06-10729-LBR
 Chapter 11

Affects:

- ☐ All Debtors
- ☐ USA Commercial Mortgage Company
- ☐ USA Capital Realty Advisors, LLC
- ☐ USA Capital Diversified Trust Deed Fund, LLC
- ☒ USA Capital First Trust Deed Fund, LLC
- ☐ USA Securities, LLC

Date: March 1, 2007
 Time: 9:30 a.m.

**RESPONSE TO DEBTORS' RESERVE DISCLOSURE FOR POST-EFFECTIVE DATE
 USA CAPITAL FIRST TRUST DEED FUND, LLC (AFFECTS DEBTOR USA CAPITAL
FIRST TRUST DEED FUND, LLC)**

1 The Official Committee of Equity Holders for the USA Capital First Trust Deed
2 Fund, LLC (the "FTDF Committee") hereby submits its response to the Debtors' requested
3 reserve for professional fees and costs to be provided for Debtors' professionals for post-
4 Effective Date work for the USA Capital First Trust Deed Fund, LLC (the "FTDF") submitted in
5 connection with the Debtors' "Second Joint Motion for Order for Implementation of Confirmed
6 Plan" (the "Motion") [docket no. 2869].

7 Pursuant to the Motion, the Debtors were required to submit a Reserve Disclosure
8 estimating the amount of post-Effective Date professional fees and expenses for the Debtors'
9 professionals for the FTDF. The Debtors filed their Reserve Disclosure for the FTDF in the late
10 evening of February 27, and proposed a reserve amount of \$725,000 of FTDF. The FTDF
11 Committee believes that this amount is too high given the anticipated post-Effective Date status
12 of FTDF and the services to be provided by the FTDF Committee to the FTDF post-Effective
13 Date. There will be no post-Effective Date trust for the FTDF nor will there be a long-term post-
14 Effective Date FTDF entity as there will be for the USA Capital Diversified Trust Deed Fund,
15 LLC. Rather, FTDF will survive for the limited purposes of resolving final claims objections
16 and certain discrete disputes as provided for under the Motion. Further, due to the inherent
17 potential conflicts of interest of the Debtors' professionals with respect to their representation of
18 the affiliated Debtors that has existed throughout these cases, the FTDF Committee will be
19 charged with authority to resolve nearly all of the remaining disputes. Given the anticipated
20 nominal role that the Debtors will play post-Effective Date for the FTDF, the proposed reserve
21 seems very high.

22 The Debtors filed the Reserve Disclosure in the late evening of February 27.
23 Upon the start of business on Wednesday, February 28, counsel for the FTDF Committee
24 immediately reviewed the Reserve Disclosure and thereafter contacted counsel for the Debtors
25 expressing the FTDF Committee's concerns and suggesting that the parties meet so that the
26 Debtors could explain the necessity for the \$725,000 reserve. While the FTDF Committee
27 would prefer to resolve this issue consensually with the Debtors, given that the hearing on the
28 Motion is tomorrow (March 1), the FTDF Committee was compelled to file this Response so that

1 the Court was aware of the FTDF Committee's concern regarding the amount of the reserve. The
2 FTDF Committee suggests that if the Court is inclined to grant the Motion, that it grant the
3 Motion in part and continue the hearing on the amount of the Debtors' reserve for the FTDF until
4 the March 15 hearing date so the parties can work to resolve this potential dispute.

5 **WHEREFORE**, the FTDF Committee respectfully requests that the Court grant
6 the Motion in part and continue the hearing on the amount of the Debtors' reserve for the FTDF
7 until the March 15, 2007 hearing date so the parties can work together to resolve this potential
8 dispute regarding the amount of the reserve for the Debtors' post-Effective Date services for the
9 FTDF.

10 Respectfully submitted this 28th day of February, 2007.

11
12 /s/ Eve H. Karasik

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14 EVE H. KARASIK (CA State Bar No. 155356),

15 and

16 ANDREW M. PARLEN (CA State Bar No.
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SECURITY HOLDERS

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